

Message Text

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SUBJECT: ASST. SEC. HOLBROOKE'S TESTIMONY ON SOUTH PACIFIC POLICY

REF: STATE 181885

1. THIS IS A TWO PART RESPONSE TO REFTEL AS A CONTRIBUTION TO THE MATERIAL BEING PREPARED FOR ASSISTANT SECRETARY HOLBROOKE ON U.S. POLICY IN THE SOUTH PACIFIC. PART ONE WILL SUMMARIZE MANY CHARACTERISTICS OF THE PACIFIC GROUP WHICH MAY BE RELEVANT TO THE FORMULATION OF U.S. POLICY. PART TWO WILL FOCUS MORE SPECIFICALLY ON POLICY SUGGESTIONS WHICH EA/PIA MAY FIND USEFUL.

2. THE 14 ISLANDS STATES IN THE PACIFIC (EXCLUDING AUSTRALIA, NEW ZEALAND AND PAPUA NEW GUINEA) RANGE IN SIZE FROM FIJI (600,000 POPULATION, 19,000 SQUARE KM) TO TOKALAU (POPULATION 1,600, 10 SQ. KM). ALTHOUGH THIS SUBSTANTIAL DIFFERENCE IN SIZE MIGHT SUGGEST A LACK OF HOMOGENEITY, IT WOULD BE A MISTAKE TO UNDER-ESTIMATE THE IMPORTANCE OF THE CHARACTERISTICS THAT THEY HAVE IN COMMON AS DESCRIBED BELOW.

3. SOCIAL CHALLENGES AND ADVANTAGES

A. SOCIAL FACILITIES IN THE SMALL ISLAND COUNTRIES ARE GENERALLY BETTER AND MORE EQUALLY DISTRIBUTED PER HEAD OF POPULATION THAN IN MANY OF THE MORE DEVELOPED COUNTRIES. THIS APPLIES TO BASIC SCHOOLS, HOSPITALS, CLINICS, WELFARE SYSTEMS, BUT NOT TO SPECIALIZED FACILITIES.

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B. UNLIKE MOST THIRD WORLD COUNTRIES THE ISLANDS ARE NOT FACING THE CRUSHING PROBLEMS OF URBAN POVERTY, POLLUTION, SLUMS, SOCIAL IMPREST AND ACUTE INTERNAL CONFLICTS. THE SMALL SIZE TOWNS TO BE FOUND IN THE PACIFIC ARE NOT ONLY MANAGEABLE BUT DRAW STRENGTH FROM THEIR CONTINUED LINKS WITH THE VILLAGES AND THROUGH THE MAINTENANCE OF STRONG KINSHIP TIES. URBANIZATION WILL EVENV-

TUALLY PRESENT A PROBLEM, BUT OPNLY GRADUALLY. WITHOUT THE PRESSURES OF MASS URGANIZATION SOLUTIONS WILL BE EASIER TO DEVISE.

C. POTENTIAL POPULATION GROWTH (AVERAGE 2 PERCENT VA YEAR) CAN BECOME A PROBLEM. FOR THE TIME BEING, HOWEVER, IT CONSTITUTES AN IMPORTANT RESOURCE MAINLY THROUGH MIGRATION (THE REMITTANCES OF EMIGRANTS). THE QUESTION HOWEVER OF BALANCE OF REWARDS AND SOCIAL COSTS CAUSED BY MIGRATION WILL REMAIN A LONG TERM CHALLENGE.

D. BECAUSE OF THEIR ISLOATION THE ISLANDS HAVE BEEN ABLE TO MAINTAIN THEIR TRADITIONAL CULTURES WHICH IN TURN PRESERVED TRIBAL UNITY ND NATIONAL COHESION. THE PROBLEM IS, HOWEVER, HOW THESE ISLANDS WILL BE PEPAED TO COPE WITH THE OUTSIDE WORLD AFTER THEIR ISOLATION HAS BEEN GRADUALLY OVERCOME.

4. ECONOMIC PROBLEMS AND SOME ADVANTAGES

A. A MOST SERIOUS HANDICAP OF TE ISLAND NATIONS, ESPECIALLY IN THE PACIFIC, IS THEIR DISADVANTAGE IN OPERATING IN A WORLD ECONOMY WHICH FAVORS LARGE ECONOMIES AND SHORT DISTANCES AMONG TRADE PARTNERS.

B. DEPENDENCE ON A SINGLE OVERY FEW COMMODITIES TO EARN FOREIGN EXCHANGE IS THE SECOND MOST IMPORTANT CONSTRAINT ON THE DEVELOPMENT OF ISLAND STATES.

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C. PRIMARY EXPORTS ARE SUBJECT TO EXTREME FLUCTUATION IN THE WORLD MARKET WHICH INHIBITS LONG OR EVEN SHORT TERM INVESTMENT PLANNING. THE PRICE STABLIZATION MECHANISM ESTABLISHED UNDER THE ACP/EEC LOME CONVENTION HAS PROVIDED THE FOUR PACIFIC MEMBERS (FIJI,;TONGA, WESTERN SAMOA AND PAUPUA NEW GUINEA) WITH IMPORTANT STABLIZATION FUNDS. BUT HOW ABOUT E OTHER ISLANDS?

D. DISTANCE HAS CREATED NOT ONLY ISOLATION BUT ENORMOUS TRANSPORT AND MARKET COMMUNICATINON PROBLEMS, PROBLEMS WHICH CONTRIBUTE TO LOWER PER CAPITAL EXPORTS THAN THOSE OF OTHER ISLAND GROUPINGS SUCH AS THE CARRIBBEAN. EEEFFORTT TO REDUCE COSTS AND EXPAND SHIPPING FACILITIES AMONG THE PACIFIC ISLANDS HAVE FAILED BECAUSE SUCH COMMUNICATIONS REQUIRE LARGE CAPIATAL INVESTMENTS AND TRADE OIN ORDER TO BE ECONOMICAL. ONLY THREE PERCENT OF THE ISLANDS' FOREIGN TRADE IS AMONG THE ISLANDS THEMSELVES.

E. THE ISLANDS SHARE THE PROBLEM OF MANY AGRICULTURE NATIONS I.E. DECLINING PRICES OF AGRICULTUREAL PRODUCTS WHILE IMPORT BILLS FOR MANUFACTURED GOODS CONTINUE TO RISE.

F. DIVERSIFICATION OF AGRICULTURAL PRODDUCTION AND EFFORTS TO ASSURE SELFSUFFICIENCY IN FOOD ARE TWO

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MEASURES THE ISLANDS HAVE SOUGHT TO PROMOTE. DEVELOPMENT OF SMALL SCALE INDUSTRIES HAS RUN INTO THE DIFFICULTY OF OBTAINING APPROPRIATE TECHNOLOGY ESPECIALLY WITH REGARD TO AGRICULTURE. PROCESSING INDUSTRIES.

G. TOURISM CONTINUES TO BE LOOKED UPON WITH GREAT EXPECTATIONS BY THE ISLANDERS, BUT AT THE SAME TIME THEY ARE BECOMING INCREASINGLY AWARE OF THE SOCIAL COSTS THAT SUCH INDUSTRY CREATES. HAWAII IS FREQUENTLY CITED AS THE TYPE OF DEVELOPMENT THAT CANNOT BE VIEWED AS AN UNMITIGATED GOOD.

H. VULNERABILITY TO NATURAL DISASTERS IS ANOTHER ASPECT OF ISLAND LIFE. HURRICANES, VOLCANIC ERUPTIONS, EARTHQUAKES ARE SOME OF THE NATURAL PHENOMENA TO WHICH THE ISLANDS ARE EXPOSED. REGIONAL EFFORTS TO ESTABLISH A NATURAL DISASTER RELIEF FUND COULD HELP MEET THIS PROBLEM AND AT THE SAME TIME ENHANCE REGIONALISM IN THE AREA.

5. IN LIGHT OF THE FOREGOING ONE IS COMPELLED TO ASK THE KEY QUESTION, ARE THE SMALL ISLAND COUNTRIES IN THE PACIFIC ECONOMICALLY VIABLE? IF VIABILITY IS DEFINED AS CAPACITY TO FINANCE THEIR IMPORTS THE ANSWER MUST BE "NO". VIEWED IN A BROADER PERSPECTIVE, HOWEVER, ONE SHOULD REMEMBER THAT LONG BEFORE THE ARRIVAL OF THE EUROPEANS THESE ISLANDS HAD PROVEN THEIR ABILITY TO SURVIVE AS SOCIAL AND GEOGRAPHIC UNITS. THUS THE FINAL ANSWER TO OUR QUESTION MUST BE POSITIVE. FURTHERMORE, WE SHOULD NOT LOSE SIGHT OF THE FACT THAT ECONOMIC VIABILITY IS NOT SYNONYMOUS WITH
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POLITICAL VIABILITY AND IN FACT IS NOT A NECESSARY PRE-REQUISITE FOR POLITICAL IDENTITY.

6. THE NEXT BASIC QUESTION, THEREFORE, IS WHAT CAN THE ISLANDS DO TO IMPROVE THEIR ECONOMIC SITUATION? WESTERN CONCEPTS SUCH AS MONETARY AND FISCAL POLICIES ARE HARDLY APPLICABLE IN VIEW OF THE LOW LEVELS OF INTERNAL REVENUE AND INFLEXIBLE DEMANDS ON SPENDING. DOMESTIC MARKETS ARE OF COURSE TOO SMALL TO PERMIT THE DEVELOPMENTS OF A SELF-SUFFICIENT ECONOMY. THE ANSWER CAN BE COINED ONLY IN POLITICAL TERMS.

7. THE POLITICAL DIMENSIONS

IT IS PERHAPS A SIGN OF THE TIMES THAT DESPITE THE ISLAND ECONOMIC DEPENDENCE (THROUGH GRANTS AND AID) THEY HAVE BEEN ABLE TO PRESERVE CONSIDERABLE POLITICAL AUTONOMY. SOME OF THEM HAVE DEALT SKILLFULLY WITH THEIR FORMER METROPOLITAN POWERS BY EXPLOITING IN MANY SUBTLE WAYS THE DEFENSIVE POSITION IN WHICH THESE POWERS FOUND THEMSELVES IN THE POST-COLONIAL ATMOSPHERE. THIS HAS ENABLED THE ISLANDS TO PLAY A GREATER POLITICAL ROLE THAN THEIR SIZE WOULD HAVE WARRANTED.

B. ALTHOUGH ONLY THREE OF THE DEVELOPING PACIFIC ISLANDS ARE PRESENTLY MEMBERS OF THE UN IT CAN BE SAID THAT MEMBERSHIP IN REGIONAL AND INTERNATIONAL ORGANIZATIONS HAS FURTHER ENHANCED THE POTENTIAL OF THE ISLANDS TO SPEAK INDEPENDENTLY THEREBY ASSERTING AN UNSUSPECTED DEGREE OF AUTONOMY ON THE WORLD SCENE.

C. THE SPECIFIC CHARACTERISTICS OF THE ISLAND STATES (NOT ONLY IN THE PACIFIC) HAS LED INTERNATIONAL ORGANIZATIONS SUCH AS UNCTAD, ECOSOC, ESCAP, THE UN GENERAL ASSEMBLY AND THE ADB TO RECOGNIZE THAT THOSE SMALL ISLAND COUNTRIES SHOULD BE HANDLED AS SPECIAL CASES. IN THE ABSENCE, HOWEVER, OF
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ACCONCRETE FOLLOWUP BY THESE ORGANIZATIONS WITH THE ISLAND STATES HAVE TURNED TO REGIONAL POLICIES AND INSTITUTIONS AS A MEANS TO BRING TO BEAR COLLECTIVE INFLUENCE FOR THE PROMOTION OF ECONOMIC ADVANTAGES.

D. WHILE THE PACIFIC ISLANDS HAVE TAKEN SOME STEPS IN THAT DIRECTION THEY HAVE A GREAT DEAL TO LEARN FROM THE CARIBBEAN WHERE REGIONAL COOPERATION HAS RESULTED IN THE ESTABLISHMENT OF SUCH INSTITUTIONS AS CARIBBEAN FREE TRADE AREA (CARIFTA), THE EAST CARIBBEAN CURRENCY BOARD AND THE CARIBBEAN DEVELOPMENT BANK. AT THIS TIME THE PACIFIC ISLANDS SEEMS TO BE AT A TURNING POINT. ON ONE HAND REALISM AND ENLIGHTENED SELF-INTEREST DICTATE REGIONAL COOPERATION AND POLICIES, WHILE ON THE OTHER HAND RIVALRIES ARE RISING IN THE PURSUIT OF INDIVIDUAL

VIDUAL ECONOMIC INTERESTS. TRADITIONAL JEALOUSIES AMONG THE ISLANDS HAVE PLAYED A ROLE IN THE DEVELOPMENT OF THIS PHENOMENON. HOWEVER, THE BASIC REASON OFOR THIS RIVALRY REAMAINS THE COMPETITION AMONG THE ISLANDS FOR AID COMING FROM INTERNATIONAL ORGANIZATIONS AND FROM THE FORMER METROPOLITAN POWERS.

3. TO THE EXTENT THAT THE ISLANDS MAY BE LED T FEEL THAT THIS AID SHOULD NOT BE TAKEN FOR GRANTED, COMPETITION AND RIVALRY AMONG THEM WILL INCREASE. THIS WILL SERIOUSLY WEAKEN THE REGIONAL TENDENCIES AND WILL SHARPEN THE INDIVIDUAL POLITICAL GAMES EACH ISLAND WILL ATTEMPT TO PLAY.
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